

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

**AS OF AND FOR THE YEAR
ENDED JUNE 30, 2010**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2/2/11

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA**

**TABLE OF CONTENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010**

	Page
INDEPENDENT AUDITOR'S REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-5
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Assets	6
Statement of Activities	7
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	8
Reconciliation of the Governmental Funds' Balance Sheet to the Statement of Net Assets	9
Statement of Revenues, Expenditures, and Changes in Fund Balances	10
Reconciliation of the Governmental Funds' Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	11
Proprietary Fund – Water and Sewer Fund:	
Statement of Net Assets	12
Statement of Revenues, Expenses, and Changes in Net Assets	13
Statement of Cash Flows	14
Notes to the Financial Statements	15-31
REQUIRED SUPPLEMENTAL INFORMATION	
Budgetary Comparison Schedules:	
General Fund	32
Special Revenue Fund – Sales Tax Fund	33
Special Revenue Fund – Street Fund	34
Special Revenue Fund – Economic Development Fund	35
Special Revenue Fund – Cemetery Fund	36
OTHER SUPPLEMENTAL SCHEDULE	
Schedule of Compensation to Mayor and Town Council	37
OTHER REPORTS	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	38-39
Schedule of Findings	40-42
Status of Prior Audit Findings	43



Hulsey, Harwood & Sheridan, LLC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

**To the Mayor and Council Members
Town of Oak Grove, Louisiana**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Oak Grove, Louisiana as of and for the year ended June 30, 2010, which collectively comprise the Town of Oak Grove's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Oak Grove, Louisiana's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Louisiana Governmental Audit Guide*, issued by the Louisiana Society of Certified Public Accountants and the Louisiana Legislative Auditor. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Oak Grove, Louisiana, as of June 30, 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

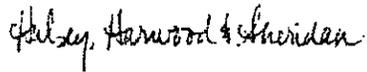
In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2010, on our consideration of the Town of Oak Grove, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Town of Oak Grove
Independent Auditor's Report
June 30, 2010

The management's discussion and analysis and budgetary comparison information on pages 3 through 5 and 32 through 36, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Oak Grove, Louisiana's, basic financial statements. The Schedule of Compensation to Mayor and Town Council is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Compensation to Mayor and Town Council has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

HULSEY, HARWOOD & SHERIDAN, LLC



December 9, 2010

TOWN OF OAK GROVE, LOUISIANA

Management's Discussion and Analysis As of and for the Year Ended June 30, 2010

Our discussion and analysis of the Town of Oak Grove, Louisiana, (the Town) provides an overview of the Town's activities for the year ended June 30, 2010. Please read it in conjunction with the Town's financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Town as a whole.

Reporting the Town as a Whole The Statement of Net Assets and the Statement of Activities

These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Town's net assets and changes in them. The Town's net assets (i.e., the difference between assets and liabilities) are a measure of the Town's financial position. The increases or decreases in the Town's net assets are an indicator of whether its financial position is improving or deteriorating.

THE TOWN AS A WHOLE

At June 30, 2010, net assets were as follows:

NET ASSETS

	<u>2010</u>	<u>2009</u>
Current and other assets	\$ 2,962,571	\$ 3,385,819
Capital assets, net	<u>5,949,503</u>	<u>5,696,673</u>
Total assets	<u>8,912,074</u>	<u>9,082,492</u>
Liabilities:		
Current	327,237	295,472
Long-term	<u>1,210,264</u>	<u>1,828,668</u>
Total liabilities	<u>1,537,501</u>	<u>2,124,140</u>
Net assets:		
Invested in capital assets, net of debt	4,630,095	3,711,351
Restricted	175,072	506,820
Unrestricted	<u>2,569,406</u>	<u>2,740,181</u>
Total net assets	<u>\$ 7,374,573</u>	<u>\$ 6,958,352</u>

TOWN OF OAK GROVE, LOUISIANA

Management's Discussion and Analysis As of and for the Year Ended June 30, 2010

For the year ended June 30, 2010, net assets changed as follows:

CHANGE IN NET ASSETS

	2010	2009
Program revenues:		
Charges for services	\$ 580,966	\$ 566,971
Operating grants and contributions	38,261	81,145
Capital grants and contributions	418,700	74,904
General revenues:		
Property taxes	182,888	186,780
Sales and use taxes	656,174	667,366
Other taxes, licenses and permits	192,468	208,891
Other	79,616	84,392
Total revenues	2,149,073	1,870,449
Expenses:		
General government	620,164	552,089
Public safety	241,661	223,888
Highways and streets	176,475	193,996
Health and welfare	20,750	4,375
Culture and recreation	-	1,000
Economic development	4,920	35,082
Interest expense	71,847	78,163
Water and sewer	597,035	586,418
Total expenses	1,732,852	1,675,011
Change in net assets	416,221	195,438
Net assets at beginning of year	6,958,352	6,762,914
Net assets at end of year	\$ 7,374,573	\$6,958,352

BUDGETARY HIGHLIGHTS

During the year, in the General Fund, there was a \$58,870 increase in anticipated revenues. It was mainly due to grant projects which included \$86,070 for police cars, bullet proof vests, repairs to the water tower and water lines, and a pavilion for city park. The increase was offset by a \$13,000 decrease in anticipated taxes, a \$12,000 decrease in anticipated fines, and a \$3,500 decrease in anticipated earned interest. Budgeted expenditures were increased by \$55,551, mainly because of an increase in capital outlay related to the above described grant projects.

During the year in the Sales Tax Fund, there was a \$5,161 increase in anticipated revenues. This was due to an increase in anticipated earned interest and other revenues. There was a \$37,707 increase in appropriations due to an increase in expected changes in personnel which affected salaries, payroll taxes, and employee benefits and due to expenses associated with the refunding bonds. During the year, the Sales Tax Fund transferred \$365,690 to the debt service fund and paid \$12,788 in legal fees associated with the refunding bonds.

TOWN OF OAK GROVE, LOUISIANA

Management's Discussion and Analysis As of and for the Year Ended June 30, 2010

In the Street Fund, budgeted revenue was not changed. Budgeted expenditures decreased by \$11,831 due to general decreases in anticipated expenditures.

In the Economic Development Fund, budgeted revenue increased by \$49,575 due to an expected increase in grant revenues offset by an expected decrease in interest earned on certificates of deposit. Budgeted expenditures were increased by \$51,925 due to expected repairs of the Tur-Ban roof.

In the Cemetery Fund, budgeted revenue decreased by \$3,700 due to an anticipated decrease in the sale of cemetery plots and in interest earned. Budgeted expenditures decreased by \$1,474.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2010, the Town's investment in capital assets for its governmental and business-type activities amounts to \$5,949,503 (net of accumulated depreciation). This investment includes buildings and improvements, vehicles, machinery, equipment, and land.

This year's additions of \$497,461 includes two handheld radios, a camera lens, 50 chairs, two bullet-proof vests, a trophy camera, two new police cars and related equipment, a new pavilion, twelve picnic tables, three ceiling fans, a computer, a wheelchair ramp, a 35-ton service jack, two chainsaws, a new roof for the Tur-Ban building, and additions to construction in progress.

Debt

At year end, the Town had a total of \$926,000 in general obligation bonds, Series 2009, outstanding. The bonds bear interest at 3.69% and are due to mature in 2017. The Town also has outstanding Water and Sewer Revenue Bonds, totaling \$393,408, payable in monthly installments of \$4,995 through March 20, 2038, and bearing interest at 4.875%.

In addition, the Town had a total liability of \$36,412 for compensated absences.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Town of Oak Grove is located in a depressed area of the state. The Town's revenues are derived mainly from a special sales and use tax, property tax assessments, and fees for services. The Town intends to use monies from the Local Government Assistance Program and Community Water Enrichment Fund grants to repair and replace deteriorated water lines. The Town does anticipate an increase in expenditures due to employer contribution rates to the Municipal Police Employees Retirement System increasing from 11% to 25%.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Town Clerk, Mrs. Mellissa Corley.

BASIC FINANCIAL STATEMENTS

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA**

**STATEMENT OF NET ASSETS
AS OF JUNE 30, 2010**

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and cash equivalents	\$2,322,518	\$ 386,251	\$2,708,769
Receivables, net of allowance for uncollectibles	190,941	53,711	244,652
Inventories	-	9,150	9,150
Capital assets not being depreciated	441,674	10,756	452,430
Capital assets, net of accumulated depreciation	<u>2,536,815</u>	<u>2,960,258</u>	<u>5,497,073</u>
TOTAL ASSETS	<u>5,491,948</u>	<u>3,420,126</u>	<u>8,912,074</u>
LIABILITIES			
Accounts payable	61,827	14,825	76,652
Payroll and related liabilities	26,686	2,642	29,328
Accrued liabilities	-	8,571	8,571
Accrued interest payable	2,573	5,334	7,907
Customer deposits payable	-	59,123	59,123
Due to others	100	-	100
Noncurrent liabilities:			
Due within one year	103,200	42,356	145,556
Due in more than one year	850,308	359,956	1,210,264
TOTAL LIABILITIES	<u>1,044,694</u>	<u>492,807</u>	<u>1,537,501</u>
NET ASSETS			
Investment in capital assets, net of related debt	2,052,489	2,577,606	4,630,095
Restricted for debt service	65,644	109,428	175,072
Unrestricted	<u>2,329,121</u>	<u>240,285</u>	<u>2,569,406</u>
TOTAL NET ASSETS	<u>\$4,447,254</u>	<u>\$2,927,319</u>	<u>\$7,374,573</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			NET (EXPENSES) REVENUES AND CHANGES IN NET ASSETS			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Governmental activities:							
General government	\$ 620,164	\$ 53,107	\$ -	\$ -	\$ (567,057)		\$ (567,057)
Public safety	241,661	15,642	38,261	35,000	(152,758)		(152,758)
Highways and streets	176,475	-	-	-	(176,475)		(176,475)
Health and welfare	20,750	-	-	369,865	349,115		349,115
Culture and recreation	-	-	-	13,835	13,835		13,835
Economic development	4,920	-	-	-	(4,920)		(4,920)
Interest expense	71,847	-	-	-	(71,847)		(71,847)
Total governmental activities	<u>1,135,817</u>	<u>68,749</u>	<u>38,261</u>	<u>418,700</u>	<u>(610,107)</u>		<u>(610,107)</u>
Business-type activities:							
Water and sewer	597,035	512,217	-	-	-	\$ (84,818)	(84,818)
Total business-type activities	<u>597,035</u>	<u>512,217</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(84,818)</u>	<u>(84,818)</u>
Total primary government	<u>\$1,732,852</u>	<u>\$580,966</u>	<u>\$ 38,261</u>	<u>\$ 418,700</u>	<u>(610,107)</u>	<u>(84,818)</u>	<u>(694,925)</u>
General revenues:							
Property taxes					182,888	-	182,888
Sales and use taxes					656,174	-	656,174
Franchise taxes					69,181	-	69,181
Licenses and permits					123,123	-	123,123
Other taxes, penalties and interest					164	-	164
Unrestricted investment earnings					43,924	5,951	49,875
Gain on sale of capital assets					16,374	291	16,665
Other					9,654	3,422	13,076
Transfers					(5,000)	5,000	-
Total general revenues and transfers					<u>1,096,482</u>	<u>14,664</u>	<u>1,111,146</u>
Change in net assets					<u>486,375</u>	<u>(70,154)</u>	<u>416,221</u>
Net assets at beginning of year					<u>3,960,879</u>	<u>2,997,473</u>	<u>6,958,352</u>
Net assets at end of year					<u>\$ 4,447,254</u>	<u>\$ 2,927,319</u>	<u>\$ 7,374,573</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF OAK GROVE
OAK GROVE, LOUISIANA

GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2010

ASSETS	General	Sales Tax	Street	Economic Development	Debt Service	Cemetery	LCDBG	Total
								Governmental Funds
Cash and cash equivalents	\$333,436	\$ 970,928	\$146,294	\$271,818	\$ -	\$328,027	\$ -	\$ 2,050,503
Cash and cash equivalents - restricted	-	203,798	-	-	68,217	-	-	272,015
Receivables, net	13,378	108,565	-	9,275	-	-	59,723	190,941
TOTAL ASSETS	\$346,814	\$1,283,291	\$146,294	\$281,093	\$68,217	\$328,027	\$ 59,723	\$ 2,513,459

LIABILITIES AND FUND BALANCES

Liabilities:

Accounts payable	\$ 983	\$ -	\$ 1,025	\$ -	\$ -	\$ 96	\$ 59,723	\$ 61,827
Payroll and related liabilities	13,362	10,011	-	-	-	206	-	23,579
Accrued liabilities	-	-	-	-	2,573	-	-	2,573
Unearned revenue	-	52,932	-	-	-	-	-	52,932
Due to others	100	-	-	-	-	-	-	100
Total liabilities	14,445	62,943	1,025	-	2,573	302	59,723	141,011

Fund balances:

Reserved for debt service	-	-	-	-	65,644	-	-	65,644
Unreserved - undesignated	332,369	1,220,348	145,269	281,093	-	327,725	-	2,306,804
Total fund balances	332,369	1,220,348	145,269	281,093	65,644	327,725	-	2,372,448
TOTAL LIABILITIES AND FUND BALANCES	\$346,814	\$1,283,291	\$146,294	\$281,093	\$68,217	\$328,027	\$ 59,723	\$ 2,513,459

The accompanying notes are an integral part of these financial statements.

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS' BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
AS OF JUNE 30, 2010**

**Amounts reported for governmental activities
in the statement of net assets are different because:**

Total fund balances	\$ 2,372,448
<i>Capital assets used in governmental activities are not financial resources and, therefore, are deferred in the funds.</i>	2,978,489
<i>Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.</i>	52,932
<i>Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.</i>	<u>(956,615)</u>
Net assets of governmental activities	<u><u>\$ 4,447,254</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF OAK GROVE
OAK GROVE, LOUISIANA

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

	General	Sales Tax	Street	Economic Development	Debt Service	Cemetery	I.CDBG	Total Governmental Funds
Revenues:								
Property taxes	\$ 94,557	\$ -	\$ 62,761	\$ -	\$ -	\$ 25,570	\$ -	\$ 182,888
Sales and use taxes	-	662,032	-	-	-	-	-	662,032
Franchise taxes	69,181	-	-	-	-	-	-	69,181
Other taxes, penalties and interest	164	-	-	-	-	-	-	164
Licenses and permits	123,123	-	-	-	-	-	-	123,123
Intergovernmental revenues	93,611	-	-	9,275	-	-	354,075	456,961
Charges for services	12,274	-	-	-	-	7,750	-	20,024
Fines	15,642	-	-	-	-	-	-	15,642
Lease income	33,083	-	-	-	-	-	-	33,083
Interest earned	8,798	20,200	3,184	5,114	1,366	5,262	-	43,924
Other revenues	8,492	1,161	-	-	-	-	-	9,653
Total revenues	458,925	683,393	65,945	14,389	1,366	38,582	354,075	1,616,675
Expenditures:								
Current:								
General government	210,931	352,976	576	9,775	-	525	-	574,783
Public safety	241,661	-	-	-	-	-	-	241,661
Highways and streets	-	-	67,733	-	-	14,216	-	81,949
Health and welfare	-	-	-	-	-	-	20,750	20,750
Economic development	-	-	-	4,143	-	-	-	4,143
Debt service - principal	-	-	-	-	1,555,000	-	-	1,555,000
Debt service - interest	-	-	-	-	71,847	-	-	71,847
Capital outlay	57,298	31,840	869	47,250	-	-	360,204	497,461
Total expenditures	509,890	384,816	69,178	61,168	1,626,847	14,741	380,954	3,047,594
Excess (deficiency) of revenues over (under) expenditures	(50,965)	298,577	(3,233)	(46,779)	(1,625,481)	23,841	(26,879)	(1,430,919)
Other financing sources (uses):								
Transfers in	-	13,850	-	1,500	365,690	-	26,879	407,919
Transfers out	(20,350)	(365,690)	-	(26,879)	-	-	-	(412,919)
Sale of capital assets	6,303	-	10,071	-	-	-	-	16,374
General obligation bonds issued	-	-	-	-	926,000	-	-	926,000
Total other financing sources and uses	(14,047)	(351,840)	10,071	(25,379)	1,291,690	-	26,879	937,374
Net change in fund balances	(65,012)	(53,263)	6,838	(72,158)	(333,791)	23,841	-	(493,545)
Fund balances at beginning of year	397,381	1,273,611	138,431	353,251	399,435	303,884	-	2,865,993
Fund balances at end of year	\$ 332,369	\$ 1,220,348	\$ 145,269	\$ 281,093	\$ 65,644	\$ 327,725	\$ -	\$ 2,372,448

The accompanying notes are an integral part of these financial statements.

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010**

Amounts reported for governmental activities

in the statement of net assets are different because:

Net change in fund balances - total governmental funds **\$ (493,545)**

Governmental funds report capital outlays as expenditures. However, in the *statement of activities*, the *cost of those assets is allocated over their estimated useful lives* and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period. **368,066**

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. **(5,858)**

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. **629,000**

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. **(11,288)**

Change in net assets of governmental activities **\$ 486,375**

The accompanying notes are an integral part of these financial statements.

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA**

**PROPRIETARY FUND – WATER AND SEWER FUND
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2010**

ASSETS

Current assets:	
Cash and cash equivalents	\$ 276,823
Receivables, net	53,711
Inventories	9,150
Total current assets	<u>339,684</u>
Noncurrent assets:	
Cash and cash equivalents - restricted	109,428
Capital assets, net	2,971,014
Total noncurrent assets	<u>3,080,442</u>
TOTAL ASSETS	<u>3,420,126</u>

LIABILITIES

Current liabilities:	
Accounts payable	14,825
Payroll and related liabilities	2,642
Accrued liabilities	8,571
Accrued interest on revenue bonds	5,334
Compensated absences payable - current	1,502
Customer deposits payable	59,123
Revenue bonds payable - current	40,854
Total current liabilities	<u>132,851</u>
Noncurrent liabilities:	
Compensated absences payable	7,402
Revenue bonds payable	352,554
Total noncurrent liabilities	<u>359,956</u>
TOTAL LIABILITIES	<u>492,807</u>

NET ASSETS

Invested in capital assets, net of related debt	2,577,606
Restricted for debt service	109,428
Unrestricted	240,285
TOTAL NET ASSETS	<u>\$ 2,927,319</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA**

**PROPRIETARY FUND – WATER AND SEWER FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010**

Operating revenues:	
Charges for sales and services:	
Water and sewer fees	\$ 512,217
Other revenues	3,422
Total operating revenues	<u>515,639</u>
Operating expenses:	
Administration	458,914
Depreciation	114,369
Total operating expenses	<u>573,283</u>
Operating loss	<u>(57,644)</u>
Nonoperating revenues (expenses):	
Interest earned	5,951
Interest expense	(23,752)
Gain (loss) on sale of capital assets	291
Total nonoperating revenue (expenses)	<u>(17,510)</u>
Loss before contributions and transfers	(75,154)
Transfers in	<u>5,000</u>
Change in net assets	(70,154)
Net assets at beginning of year	2,997,473
Net assets at end of year	<u><u>\$ 2,927,319</u></u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA**

**PROPRIETARY FUND – WATER AND SEWER FUND
STATEMENT OF CASH FLOWS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010**

Cash flows from operating activities:	
Receipts from customers and users	\$ 520,126
Payments to suppliers	(323,487)
Payments to employees	<u>(134,663)</u>
Net cash provided by operating activities	<u>61,976</u>
Cash flows from noncapital financing activities:	
Transfer from other funds	<u>5,000</u>
Net cash provided by noncapital and related financing activities	<u>5,000</u>
Cash flows from capital and related financing activities:	
Principal paid on capital debt	(36,914)
Interest paid on capital debt	(23,027)
Proceeds from sales of capital assets	<u>1,158</u>
Net cash used by capital and related financing activities	<u>(58,783)</u>
Cash flows from investing activities:	
Interest received	<u>5,951</u>
Net cash provided by investing activities	<u>5,951</u>
Net increase in cash and cash equivalents	14,144
Cash and cash equivalents, beginning of year (including amounts in restricted accounts)	<u>372,107</u>
Cash and cash equivalents, end of year (including amounts in restricted accounts)	<u><u>\$ 386,251</u></u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (57,644)
Adjustments to reconcile operating loss to cash provided by operating activities:	
Depreciation expense	114,369
(Increase) decrease in accounts receivable	2,158
Increase (decrease) in accounts payable	(2,610)
Increase (decrease) in payroll related liabilities	676
Increase (decrease) in compensated absences payable	(1,648)
Increase (decrease) in customer deposits	2,329
Increase (decrease) in accrued liabilities	<u>4,346</u>
Total adjustments	<u>119,620</u>
Net cash provided by operating activities	<u><u>\$ 61,976</u></u>
Noncash investing, capital, and financing activities:	
None	

The accompanying notes are an integral part of these financial statements.

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Oak Grove, Louisiana, (the Town) was incorporated January 13, 1909, and on January 4, 1966, adopted the provisions of The Home Rule Charter as provided by State Law Reference L.R.S. 33:1381-1390. A copy of the ratified charter is recorded in Charter Book "B" at page 401 of the records of West Carroll Parish, Louisiana. As of 2009, the Town had a population of 1,932. The citizens elect the Mayor, who is the executive officer, and the five Council members. The Council elects the Mayor Pro-Tem.

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Town is considered a primary government since it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the Town may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement focus, basis of accounting, and financial statement presentation

The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Town reports the following major governmental funds:

The General Fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Sales Tax Special Revenue Fund accounts for a twenty-year one percent sales tax levied in 1997 for the purpose of maintaining streets and drainage, purchasing police equipment, and other legal purposes consistent with the Town's purpose.

The Street Special Revenue Fund accounts for property taxes dedicated to street maintenance.

The Economic Development Special Revenue Fund accounts for funds designated for economic development within the Town.

The Debt Service Fund accounts for funds reserved for repayment of general obligation bonds.

The Cemetery Special Revenue Fund accounts for property taxes dedicated to the operation and maintenance of the cemetery.

The LCDBG Capital Projects Fund accounts for grants received from the Louisiana Community Development Block Grant program and expenditures related to those grants.

The Town reports one major proprietary fund, the Water and Sewer Enterprise Fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the Town's enterprise operations. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. However, there were no payments-in-lieu of taxes for the year ended June 30, 2010.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The Water and Sewer Fund's principal operating revenues are water and sewer usage fees. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

Receivables and payables

Activity between funds outstanding at the end of the fiscal year, including lending and borrowing arrangements, is referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. All trade and property tax receivables are shown net of an allowance for uncollectibles, when material.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied by the Town in September or October, are actually billed on October 1, and are mailed to the taxpayers in November. Billed taxes become delinquent on January 1 of the following year. Revenues from ad valorem taxes are budgeted in the year they are billed. The Town bills and collects its own property taxes using the assessed value determined by the tax assessor of West Carroll Parish. For the year ended June 30, 2010, taxes of 18.25 mills were levied on property with assessed valuations totaling \$9,974,945, as follows:

General corporate purposes	9.40 mills
Street maintenance	6.33 mills
Cemetery	2.52 mills

The following are the principal taxpayers and related property tax revenue for the Town:

<u>Taxpayer</u>	<u>Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>	<u>Ad Valorem Tax Revenue for Municipality</u>
Wal-Mart Real Estate Business Trust	\$ 927,800	9%	\$ 16,932
Regions Bank	843,100	8%	15,387
Wal-Mart Louisiana, LLC	787,030	8%	14,363
Totals	<u>\$ 2,557,930</u>	<u>25%</u>	<u>\$ 46,682</u>

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets

The Town of Oak Grove (Mayor and Council) uses the following budget practices:

Prior to June 30, the Town Clerk submits to the Mayor and Council Members a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year. The budget is submitted in summary form. In addition, more detailed line item budgets are included for administrative control. The level of control for the detailed budgets is at the department head/function level.

Public hearings are conducted to obtain taxpayer comment.

During the month of July, the budget is legally enacted through passage of an ordinance.

Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, and the Debt Service Fund.

Budgets for the General, Capital Projects, and Special Revenue Funds are adopted on the modified accrual basis.

Appropriations lapse at the end of each fiscal year.

The Mayor and Council Members may authorize supplemental appropriations during the year.

Cash and cash equivalents

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the Town of Oak Grove may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana. Some of the cash and cash equivalents are restricted. Cash deposits are reported at carrying amount which reasonably approximates fair value.

Investments

Under state law, the Town may invest in United States bonds, notes, or certificates. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at cost.

Short-term interfund receivables/payables

During the course of operations, numerous transactions occur between individual funds for services rendered. These receivables and payables are classified as due from other funds or due to other funds on the fund financial statements balance sheet. Short-term interfund loans are classified as interfund receivables/payables.

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Elimination and reclassifications

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Inventories

Inventories are accounted for using the consumption method, where expenditures are recognized as the inventory is used. All purchased inventory items are valued at cost using the first-in/first-out method.

Capital assets

Capital assets are recorded at either historical cost or estimated historical cost and depreciated over their estimated useful lives (excluding salvage value). Donated capital assets are recorded at their estimated fair value at the date of donation. The capitalization threshold for equipment is \$200. Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight-line depreciation is used based on the following estimated useful lives:

Buildings	10-50
Computers and computer equipment	5-10
Furniture and equipment	5-20
Improvements other than buildings	10-50
Infrastructure	40
Vehicles	5-7

Compensated absences

An employee must have been in the service of the Town for at least one year to be eligible for annual leave. Employees' vacations are determined by length of service with the Town according to the following: one–two years, one week; two–ten years, two weeks; and more than ten years, three weeks. Employees may not carry over or accumulate annual leave from one year to another. After one year, employees are entitled to three hardship days to be approved by the department head and the mayor.

Leave from work with pay may be charged as sick leave if the absence is due to sickness, bodily injury, quarantine, required physical or dental examinations or treatment, exposure to a contagious disease when continued work might jeopardize the health of others, and illness in the employee's immediate family. Employees are entitled to sick leave when they have worked full-time for the Town for six months. Each employee earns sick leave at the rate of one day for each month worked. An employee cannot accumulate more than 30 days sick leave and all accumulated sick leave is forfeited upon termination of employment.

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated absences (continued)

A municipal employee who is called for jury duty or as a witness for the federal or state governments or a subdivision thereof is entitled to leave with pay for such duty during the required absence. A municipal employee who is a member of Reserved Military or National Guard is entitled to leave with pay for up to 15 days per year.

The Town does not provide compensatory time as a means of compensation.

Restricted net assets

For the government-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either:

1. Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments.
2. Imposed by law through constitutional provisions or enabling legislation.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then the unrestricted resources as they are needed.

Fund equity

Reservations of fund balance represent amounts that are not appropriable for expenditure or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislations.

Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund activity

Interfund activity is reported either as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2 – CASH AND CASH EQUIVALENTS

Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposits may not be returned to it. The Town's policy to ensure that there is no exposure to this risk is to require each financial institution to pledge its own securities to cover any amount in excess of Federal Depository Insurance Coverage. Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within ten days of being notified by the Town that the fiscal agent bank has failed to pay deposited funds upon demand.

At June 30, 2010, the Town has cash and cash equivalents (book balances) totaling \$2,708,769 as follows:

Cash and cash equivalents:	
Demand deposits	\$ 279,080
Time deposits	2,047,393
Other	853
Total	<u>2,327,326</u>
Cash and cash equivalents – restricted:	
Demand deposits	280,700
Time deposits	100,743
Total	<u>381,443</u>
Total	<u><u>\$2,708,769</u></u>

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 2 – CASH AND CASH EQUIVALENTS (Continued)

These deposits are stated at cost which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. As of June 30, 2010, \$618,614 of the Town's bank balances of \$2,724,438 was exposed to custodial credit risk as follows:

Insured by FDIC	<u>\$ 2,105,824</u>
Uninsured and uncollateralized	30,114
Collateralized by pledged securities not in the Town's name	<u>588,500</u>
Total balances exposed to custodial credit risk	<u>618,614</u>
Total bank balances	<u><u>\$ 2,724,438</u></u>

NOTE 3 – RECEIVABLES

The following is a summary of receivables at June 30, 2010:

	<u>General</u>	<u>Sales Tax</u>	<u>Economic Development</u>	<u>LCDBG</u>	<u>Water/ Sewer</u>	<u>Total</u>
Receivables:						
Taxes and licenses	\$ -	\$ 108,565	\$ -	\$ -	\$ -	\$ 108,565
Accounts	13,106	-	-	-	58,884	71,990
Intergovernmental	-	-	9,275	59,723	-	68,998
Other	272	-	-	-	-	272
Gross receivables	<u>13,378</u>	<u>108,565</u>	<u>9,275</u>	<u>59,723</u>	<u>58,884</u>	<u>249,825</u>
Less allowance for uncollectibles	-	-	-	-	(5,173)	(5,173)
Net total receivables	<u><u>\$ 13,378</u></u>	<u><u>\$ 108,565</u></u>	<u><u>\$ 9,275</u></u>	<u><u>\$ 59,723</u></u>	<u><u>\$ 53,711</u></u>	<u><u>\$ 244,652</u></u>

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 4 – CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2010, follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 33,000	\$ -	\$ -	\$ 33,000
Recreational vehicle hookups at park	1,270	-	-	1,270
Construction in progress	47,200	360,204	-	407,404
Total capital assets not being depreciated	<u>81,470</u>	<u>360,204</u>	<u>-</u>	<u>441,674</u>
Capital assets being depreciated:				
Infrastructure	2,852,633	1,415	-	2,854,048
Buildings	371,637	74,850	-	446,487
Building improvements	149,493	-	-	149,493
Furniture and equipment	366,754	7,175	-	373,929
Vehicles	216,658	53,817	(45,639)	224,836
Total capital assets being depreciated	<u>3,957,175</u>	<u>137,257</u>	<u>(45,639)</u>	<u>4,048,793</u>
Less accumulated depreciation for:				
Infrastructure	636,246	76,334	-	712,580
Buildings	371,637	1,284	-	372,921
Building improvements	101,588	6,315	-	107,903
Furniture and equipment	176,197	24,372	-	200,569
Vehicles	142,554	21,090	(45,639)	118,005
Total accumulated depreciation	<u>1,428,222</u>	<u>129,395</u>	<u>(45,639)</u>	<u>1,511,978</u>
Total capital assets being depreciated	<u>2,528,953</u>	<u>7,862</u>	<u>-</u>	<u>2,536,815</u>
Governmental activities, capital assets, net	<u>\$ 2,610,423</u>	<u>\$ 368,066</u>	<u>\$ -</u>	<u>\$ 2,978,489</u>

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 4 – CAPITAL ASSETS (Continued)

	<u>Beginning Balance</u>	<u>Adjust- ments</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 10,756	\$ -	\$ -	\$ -	\$ 10,756
Capital assets being depreciated:					
Infrastructure	5,266,568	-	-	-	5,266,568
Buildings	1,815	-	-	-	1,815
Building improvements	16,982	-	-	-	16,982
Furniture and equipment	138,629	400	-	-	139,029
Vehicles	104,543	-	-	(12,699)	91,844
Total capital assets being depreciated	<u>5,528,537</u>	<u>400</u>	<u>-</u>	<u>(12,699)</u>	<u>5,516,238</u>
Less accumulated depreciation for:					
Infrastructure	2,239,240	-	106,794	-	2,346,034
Buildings	847	-	121	-	968
Building improvements	10,303	-	563	-	10,866
Furniture and equipment	119,771	-	3,446	-	123,217
Vehicles	82,882	-	3,445	(11,432)	74,895
Total accumulated depreciation	<u>2,453,043</u>	<u>-</u>	<u>114,369</u>	<u>(11,432)</u>	<u>2,555,980</u>
Total capital assets being depreciated	<u>3,075,494</u>	<u>400</u>	<u>(114,369)</u>	<u>(1,267)</u>	<u>2,960,258</u>
Business-type activities, capital assets, net	<u>\$3,086,250</u>	<u>\$400</u>	<u>\$ (114,369)</u>	<u>\$ (1,267)</u>	<u>\$2,971,014</u>

Depreciation expense was charged as follows:

Governmental activities:	
General government	\$ 23,252
Highways and streets	105,366
Economic development	777
Total	<u>\$129,395</u>
Business-type activities – water/sewer	<u>\$114,369</u>

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 5 – INTERFUND TRANSFERS

Interfund transfers during the year ended June 30, 2010, were as follows:

		Transfers out			
		General	Sales Tax	Economic Development	Total
Transfers in	Sales Tax	\$13,850	\$ -	\$ -	\$ 13,850
	Economic Development	1,500	-	-	1,500
	Debt Service	-	365,690	-	365,690
	LCDBG	-	-	26,879	26,879
	Water & Sewer	5,000	-	-	5,000
	Total	<u>\$20,350</u>	<u>\$365,690</u>	<u>\$26,879</u>	<u>\$412,919</u>

Transfers are used to (1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due, (2) move restricted amounts from borrowings to the debt service fund to establish mandatory reserve accounts, and (3) move unrestricted general fund revenues to finance various programs that the Town must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

NOTE 6 – LEASES

The Town leases a commercial building to a warehousing company under an operating lease dated July 10, 2001, (amended October 1, 2001) for an original five-year term. The lease contains an option to extend the lease for three additional five-year periods on the same terms and conditions. On June 5, 2006, the lessee exercised its right to extend the lease for an additional five years ending on July 10, 2011. Under the terms of the lease, the lessee is to 1) maintain insurance on the building and 2) pay monthly lease payments of \$1,000 plus 10% of the lessee's gross earnings. The warehouse is included in governmental activities capital assets at a cost of \$350,000 and is fully depreciated.

The Town entered into a second operating lease with the lessee on April 1, 2002, and ending March 31, 2007, for the land on which the above warehouse is situated. The lease was renewed for an additional five-year term ending on March 31, 2012. The lessee is to pay the Town \$1,000 per month or 10% of the gross earnings per month, whichever sum is greater. The lease allows the lessee the option to extend the lease for two additional five-year terms and a final additional four-year-and-three-month term which would terminate on July 10, 2021.

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 7 – LONG-TERM OBLIGATIONS

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities. The Town also issues bonds where the Town pledges income derived from the acquired or constructed asset to pay debt service.

Bonds payable at June 30, 2010, are comprised of the following issues:

General Obligation Bonds:

\$926,000 State of Louisiana Sales Tax Refunding Bonds Series 2009, dated December 1, 2009, payable in incrementally increasing annual installments commencing December 1, 2010, through December 1, 2017; interest payable each year on June 1 and December 1 at a rate of 3.69%. The Debt Service Fund services this debt.

\$ 926,000

Revenue Bonds:

\$1,045,000 Water and Sewer Revenue Bond dated March 20, 1998, payable in monthly installments of \$4,995 beginning April 20, 1999, and ending March 20, 2038, including interest at 4.875%. The Town has paid ahead of the payment schedule. The Water and Sewer Fund services this debt.

393,408

Total

\$ 1,319,408

Long-term liability activity for the year ended June 30, 2010, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
General obligation bonds payable	\$1,555,000	\$ 926,000	\$(1,555,000)	\$ 926,000	\$ 97,000
Compensated absences	17,954	16,671	(7,117)	27,508	6,200
Governmental activity long-term liabilities	<u>\$1,572,954</u>	<u>\$ 942,671</u>	<u>\$(1,562,117)</u>	<u>\$ 953,508</u>	<u>\$103,200</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities:					
Revenue bonds payable	\$ 430,322	\$ -	\$(36,914)	\$ 393,408	\$ 40,854
Compensated absences	10,552	3,945	(5,593)	8,904	1,502
Business-type activity long-term liabilities	<u>\$ 440,874</u>	<u>\$ 3,945</u>	<u>\$(42,507)</u>	<u>\$ 402,312</u>	<u>\$ 42,356</u>

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 7 – LONG-TERM OBLIGATIONS (Continued)

On December 1, 2009, the Town issued \$926,000 of Sales Tax Refunding Bonds, Series 2009, with an interest rate of 3.69% to refund \$1,415,000 of outstanding Sales Tax Bonds, Series 1999, with interest rates of 4.30% – 4.90%. The net proceeds of \$926,000 (after payment of \$14,150 for a redemption premium) plus an additional \$503,150 from the 1999 Series sinking fund were used to redeem the 1999 Series bonds. The Town completed the current refund to reduce its total debt service payments over the next seven years by approximately \$655,169.

Annual debt service requirements to maturity for bonds are as follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>General Obligation Principal</u>	<u>General Obligation Interest</u>	<u>1998 Revenue Bonds Principal</u>	<u>1998 Revenue Bonds Interest</u>
2011	\$ 97,000	\$ 32,380	\$ 40,854	\$ 19,087
2012	104,000	28,671	42,846	17,096
2013	111,000	24,705	44,934	15,007
2014	112,000	20,590	47,125	12,816
2015	118,000	16,347	49,422	10,519
2016-2019	384,000	21,623	168,227	13,693
Totals	<u>\$ 926,000</u>	<u>\$ 144,316</u>	<u>\$ 393,408</u>	<u>\$ 88,218</u>

There are a number of limitations and restrictions contained in the various bond indentures. The Town is in compliance with all significant limitations and restrictions.

Interest expense for the year ended June 30, 2010, totaled \$80,420.

NOTE 8 – RETIREMENT SYSTEMS

Municipal Employees Retirement System of Louisiana (the System)

Plan Description

The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. Substantially all full-time employees except police of the Town of Oak Grove are members of Plan B.

All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from municipal funds and all elected municipal officials are eligible to participate in the System. Under Plan B, employees who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 2% of their final-average monthly salary in excess of \$100 for each year of creditable service.

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 8 – RETIREMENT SYSTEMS (Continued)

Furthermore, employees with at least 10 years of creditable service, but less than 30 years, may take early retirement benefits commencing at or after age 60, with the basic benefit reduced 3% for each year retirement precedes age 62, unless he has at least 30 years of creditable service. In any case, monthly retirement benefits paid under Plan B cannot exceed 100% of final-average salary. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (504) 925-4810.

Funding Policy

Under Plan B, members are required by state statute to contribute 5% of their annual covered salary and the Town of Oak Grove is required to contribute at an actuarially determined rate. The current rate is 6.75% of annual covered payroll. Contributions to the System also include one-fourth of 1% (except Orleans and East Baton Rouge parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the Town of Oak Grove are established and may be amended by state statute. As provided by R.S. 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town's contributions to the System under Plan B for the years ended June 30, 2010, 2009, and 2008, were \$21,433, \$17,961, and \$18,819, respectively, equal to the required contributions for each year.

Municipal Police Employees Retirement System of Louisiana (System)

Plan Description

All full-time police department employees engaged in law enforcement are required to participate in the System. Employees who retire at or after age 50 with at least 20 years of creditable service or at or after age 55 with at least 12 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3% of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 8 – RETIREMENT SYSTEMS (Continued)

Municipal Police Employees Retirement System of Louisiana (System) (Continued)

Plan Description (Continued)

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Police Employees Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70809-2250, or by calling (504) 929-7411.

Funding Policy

Plan members are required by state statute to contribute 7.5% of their annual covered salary and the Town of Oak Grove is required to contribute at an actuarially determined rate. The current rate is 11% of annual covered payroll. The contribution requirements of plan members and the Town of Oak Grove are established and may be amended by state statute. As provided by R.S. 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town's contributions to the System for the years ended June 30, 2010, 2009, and 2008, were \$20,601, \$16,700, and \$20,051, respectively, equal to the required contributions for each year.

NOTE 9 – ON-BEHALF PAYMENTS

Certain employees in the Town's police department receive supplemental pay from the state of Louisiana. In accordance with GASB Statement No. 24, the Town has recorded revenues and expenditures for these payments in the General Fund. Revenues under this arrangement totaled \$38,276. The related expenditures of \$38,276 are included in public safety expenditures in the General Fund.

NOTE 10 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The following funds had actual expenditures and other uses over budgeted appropriations for the year ended June 30, 2010:

Fund	Original Budget	Final Budget	Actual	Unfavorable Variance
General	\$408,350	\$ 470,401	\$ 530,240	\$ 59,839
Sales Tax	554,472	743,457	750,506	7,049

Because the General Fund variance exceeds five percent, the Town was in violation of the Louisiana Local Government Budget Act. Police supplemental pay revenues and expenditures discussed in note 9 had not been recorded and thus were not included in the budget. The revenue amount equals the expenditure. The revenue and expenditure are now recorded and will be considered in the 2011 budget.

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 11 – COMMITMENT

On July 14, 2009, the Town awarded a \$314,757 construction contract for sewer system improvements to be financed by the Louisiana Community Development Block Grant (LCDBG) program. The project is estimated to cost \$473,450. Of that amount, \$381,275 will be provided by the LCDBG program and \$92,175 will be paid by the Town from the Economic Development Special Revenue Fund.

During the year ended June 30, 2010, the Town incurred \$360,204 of expenses related to this grant. The costs are included in capital outlay in the LCDBG fund financial statements and in capital assets not being depreciated (construction in progress) in the government-wide financial statements.

NOTE 12 – CONTINGENCIES

The Town operates water and sewer treatment plants. These operations pose a high risk for environmental liabilities. The Town is required to have EPA permits for wastewater. The Town relies on the EPA for periodic testing and inspections to help identify environmental liabilities or contingencies. The Town employs a professional wastewater management company to ensure compliance with the EPA regulations.

There was no litigation pending at June 30, 2010.

NOTE 13 – RISK MANAGEMENT

The Town is exposed to various risks of loss relating to torts, theft of, damage to, and destruction of assets, errors, and omissions, injuries to employees, and natural disasters. These risks are covered by commercial insurance purchased from independent third parties.

NOTE 14 – NEW ACCOUNTING STANDARD

In February 2009, the GASB issued Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". The statement will require fund balances for each of the Town's governmental funds to be displayed in various classifications depicting the relative strength of the spending constraints placed on the purpose for which resources can be used. The provisions GASB No. 54 must be implemented by the Town for the fiscal year ending June 30, 2011. Implementation will require the Town to restate existing fund balances for the governmental funds.

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 9, 2010, the date on which the financial statements were available to be released.

REQUIRED SUPPLEMENTAL INFORMATION

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA**

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual	Variance
	Original	Final		with Final Budget
Revenues:				
Taxes	\$179,500	\$166,500	\$ 163,902	\$ (2,598)
Licenses and permits	132,500	132,800	123,123	(9,677)
Intergovernmental revenues	-	86,070	93,611	7,541
Charges for services	12,930	11,930	12,274	344
Fines	28,000	16,000	15,642	(358)
Lease income	33,900	33,900	33,083	(817)
Interest earned	9,000	5,500	8,798	3,298
Other revenues	5,000	7,000	8,492	1,492
Total revenues	<u>400,830</u>	<u>459,700</u>	<u>458,925</u>	<u>(775)</u>
Expenditures:				
Current:				
General government	207,450	211,000	210,931	69
Public safety	200,900	199,500	241,661	(42,161)
Capital outlay	-	53,401	57,298	(3,897)
Total expenditures	<u>408,350</u>	<u>463,901</u>	<u>509,890</u>	<u>(45,989)</u>
Excess (deficiency) of revenues over expenditures	<u>(7,520)</u>	<u>(4,201)</u>	<u>(50,965)</u>	<u>(46,764)</u>
Other financing sources (uses):				
Transfers out	-	(6,500)	(20,350)	(13,850)
Proceeds from sale of capital assets	-	1,303	6,303	5,000
Total other financing sources (uses)	<u>-</u>	<u>(5,197)</u>	<u>(14,047)</u>	<u>(8,850)</u>
Net change in fund balances	(7,520)	(9,398)	(65,012)	(55,614)
Fund balances at beginning of year	399,287	397,381	397,381	-
Fund balances at end of year	<u><u>\$391,767</u></u>	<u><u>\$387,983</u></u>	<u><u>\$ 332,369</u></u>	<u><u>\$ (55,614)</u></u>

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA**

**SPECIAL REVENUE FUND – SALES TAX FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual	Variance
	Original	Final		with Final Budget
Revenues:				
Taxes	\$ 650,000	\$ 650,000	\$ 662,032	\$ 12,032
Interest earned	15,000	19,000	20,200	1,200
Other revenues	-	1,161	1,161	-
Total revenues	<u>665,000</u>	<u>670,161</u>	<u>683,393</u>	<u>13,232</u>
Expenditures:				
Current:				
General government	310,060	347,167	352,976	(5,809)
Capital outlay	30,000	30,600	31,840	(1,240)
Total expenditures	<u>340,060</u>	<u>377,767</u>	<u>384,816</u>	<u>(7,049)</u>
Excess (deficiency) of revenues over expenditures	<u>324,940</u>	<u>292,394</u>	<u>298,577</u>	<u>6,183</u>
Other financing sources:				
Transfers in	-	-	13,850	13,850
Transfers out	(214,412)	(365,690)	(365,690)	-
Total other financing sources	<u>(214,412)</u>	<u>(365,690)</u>	<u>(351,840)</u>	<u>13,850</u>
Net change in fund balances	110,528	(73,296)	(53,263)	20,033
Fund balances at beginning of year	1,235,364	1,273,611	1,273,611	-
Fund balances at end of year	<u>\$1,345,892</u>	<u>\$1,200,315</u>	<u>\$ 1,220,348</u>	<u>\$ 20,033</u>

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA**

**SPECIAL REVENUE FUND – STREET FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 64,800	\$ 64,800	\$ 62,761	\$ (2,039)
Interest earned	3,000	3,000	3,184	184
Total revenues	<u>67,800</u>	<u>67,800</u>	<u>65,945</u>	<u>(1,855)</u>
Expenditures:				
Current:				
General government	-	-	576	(576)
Highways and streets	90,000	77,300	67,733	9,567
Capital outlay	-	869	869	-
Total expenditures	<u>90,000</u>	<u>78,169</u>	<u>69,178</u>	<u>8,991</u>
Excess (deficiency) of revenues over expenditures	<u>(22,200)</u>	<u>(10,369)</u>	<u>(3,233)</u>	<u>7,136</u>
Other financing sources:				
Proceeds from sale of capital assets	-	10,071	10,071	-
Total other financing sources	<u>-</u>	<u>10,071</u>	<u>10,071</u>	<u>-</u>
Net change in fund balances	(22,200)	(298)	6,838	7,136
Fund balances at beginning of year	133,918	138,431	138,431	-
Fund balances at end of year	<u>\$111,718</u>	<u>\$138,133</u>	<u>\$ 145,269</u>	<u>\$ 7,136</u>

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA**

**SPECIAL REVENUE FUND – ECONOMIC DEVELOPMENT FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental revenues	\$ -	\$ 52,000	\$ 9,275	\$ (42,725)
Interest earned	6,000	3,575	5,114	1,539
Total revenues	<u>6,000</u>	<u>55,575</u>	<u>14,389</u>	<u>(41,186)</u>
Expenditures:				
Current:				
General government	-	14,675	9,775	4,900
Economic development	25,550	62,800	4,143	58,657
Capital outlay	55,000	55,000	47,250	7,750
Total expenditures	<u>80,550</u>	<u>132,475</u>	<u>61,168</u>	<u>71,307</u>
Excess (deficiency) of revenues over expenditures	<u>(74,550)</u>	<u>(76,900)</u>	<u>(46,779)</u>	<u>30,121</u>
Other financing uses:				
Transfers in	-	6,500	1,500	(5,000)
Transfers out	-	-	(26,879)	(26,879)
Total other financing uses	<u>-</u>	<u>6,500</u>	<u>(25,379)</u>	<u>(31,879)</u>
Net change in fund balances	<u>(74,550)</u>	<u>(70,400)</u>	<u>(72,158)</u>	<u>(1,758)</u>
Fund balances at beginning of year	<u>351,567</u>	<u>353,251</u>	<u>353,251</u>	<u>-</u>
Fund balances at end of year	<u><u>\$277,017</u></u>	<u><u>\$282,851</u></u>	<u><u>\$ 281,093</u></u>	<u><u>\$ (1,758)</u></u>

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA**

**SPECIAL REVENUE FUND – CEMETERY FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual	Variance
	Original	Final		with Final Budget
Revenues:				
Taxes	\$ 25,846	\$ 25,846	\$ 25,570	\$ (276)
Charges for services	10,200	6,700	7,750	1,050
Interest earned	5,000	4,800	5,262	462
Total revenues	<u>41,046</u>	<u>37,346</u>	<u>38,582</u>	<u>1,236</u>
Expenditures:				
Current:				
General government	1,200	1,000	525	(475)
Highways and streets	16,874	14,640	14,216	(424)
Capital outlay	-	960	-	(960)
Total expenditures	<u>18,074</u>	<u>16,600</u>	<u>14,741</u>	<u>(1,859)</u>
Net change in fund balances	22,972	20,746	23,841	3,095
Fund balances at beginning of year	302,520	303,884	303,884	-
Fund balances at end of year	<u>\$325,492</u>	<u>\$324,630</u>	<u>\$ 327,725</u>	<u>\$3,095</u>

OTHER SUPPLEMENTAL SCHEDULE

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA**

**SCHEDULE OF COMPENSATION TO MAYOR AND TOWN COUNCIL
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010**

Lavelle Brown, Mayor	\$18,000
Kent Elkins, Mayor Pro-Tem	900
Noel Haynes	1,200
Jim Holland	1,200
Robert McFarlin	1,800
W.B. Russell	1,200
Total	<u>\$24,300</u>

OTHER REPORTS



Hulsey, Harwood & Sheridan, LLC

Certified Public Accountants

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Town of Oak Grove Oak Grove, Louisiana

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Oak Grove, as of and for the year ended June 30, 2010, which collectively comprise the Town of Oak Grove's basic financial statements and have issued our report thereon dated December 9, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Louisiana Governmental Audit Guide*, issued by the Louisiana Society of Certified Public Accountants and the Louisiana Legislative Auditor.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Town of Oak Grove's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Oak Grove's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Oak Grove's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings as items 2010-1, 2010-2, and 2010-3 to be material weaknesses.

Town of Oak Grove
Oak Grove, Louisiana
Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
June 30, 2010

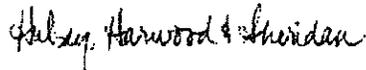
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Oak Grove's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as item 2010-1 and 2010-2.

The Town of Oak Grove's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Town of Oak Grove's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Mayor, members of the Council, management, pass-through entities, and the Louisiana Legislative Auditor, and is not intended to be and should not be used by anyone other than these specified parties. Although the intended use of this report may be limited, under Louisiana Revised Statute 24:513, it is issued by the Legislative Auditor as a public document.

HULSEY, HARWOOD & SHERIDAN, LLC



December 9, 2010

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010**

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the basic financial statements of the Town of Oak Grove.
2. Three material weaknesses are reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. Two instances of noncompliance material to the financial statements which are required to be reported in accordance with *Government Auditing Standards* were disclosed during the audit.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

2010-1 Failure to Request That Banks Pledge Securities to Cover Deposits

First Reported
2009

Condition

At June 30, 2010, the Town's deposits with financial institutions totaled \$2,724,438. Of that amount, \$2,105,824 was covered by Federal Deposit Insurance Corporation (FDIC) insurance, \$588,500 was collateralized by pledged securities, and \$30,114 was unsecured and uncollateralized.

Criteria

Louisiana Revised Statutes (LRS) 39:1221 requires local depositing authorities, such as the Town, to require banks to secure with certain financial instruments, deposits in excess of insurance provided by governmental agencies insuring bank deposits.

Cause

In an effort to reduce the risk of loss of deposits potentially caused by declining market conditions, management of the Town spread the Town's deposits among several financial institutions thereby increasing the amount of deposits insured by government agencies. However, management relied on the banks to monitor deposit balances and cover the deposits as they exceeded the FDIC threshold. The Town's internal control system was not properly designed to detect the noncompliance.

Effect

The Town was not in compliance with a state law that is included in the Louisiana Legislative Auditor's Compliance Questionnaire.

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA**

**SCHEDULE OF FINDINGS (Continued)
FOR THE YEAR ENDED JUNE 30, 2010**

Recommendation

We recommend that the Town Clerk, or an individual designated by her, prepare and analyze a monthly schedule of bank balances, FDIC insurance, and pledged securities. The Town Clerk should notify the banks when additional securities are required.

Corrective Action Plan and Responsible Person

We will follow the auditor's recommendations. Mayor Brown, 318-428-3275

***2010-2 Failure to Reconcile the Utility Accounts Receivable Subsidiary Ledger to the
General Ledger Control Account***

First Reported

2010

Condition

At June 30, 2010, the accounts receivable balance per the subsidiary ledger was \$38,289. The accounts receivable balance per the general ledger was \$87,422.

Criteria

Basic internal control procedures require that subsidiary ledgers be reconciled to control accounts in the general ledger.

Cause

There was turnover in the utility department and the procedure was misunderstood.

Effect

Audit adjustments totaling \$49,133 were required to adjust the financial statement receivable amount to the subsidiary ledger and revenue to earned amounts. Therefore, management was not reviewing accurate financial reports during the year.

Recommendation

We recommend that the utility clerk take the following steps to ensure that the accounts receivable control account is properly adjusted:

- Complete the software provider's reconciliation worksheet for ensuring that the subsidiary ledger is in balance.
- Each time a change is made to the subsidiary ledger, post to the general ledger from the software provider's reconciliation all activity except payments which are posted from deposit records.
- At least at month-end, reconcile the software provider's reconciliation to the general ledger.

Corrective Action Plan and Responsible Person

We will follow the auditor's recommendations. Mayor Brown, 318-428-3275

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA**

**SCHEDULE OF FINDINGS (Continued)
FOR THE YEAR ENDED JUNE 30, 2010**

2010-3 Failure to Amend the General Fund Budget

First Reported

2010

Condition

For the year ended June 30, 2010, budgeted revenue amounts included \$35,000 in grant revenues that should have been included in the Water and Sewer Fund. Had police supplemental pay not been recorded as an audit adjustment, actual revenues would have failed to meet budgeted revenues by more than 5%. General Fund expenditures and other uses exceeded final budgeted amounts by \$59,839 or 13%.

Criteria

The Louisiana Local Government Budget Act requires the Town to amend the budget when projected revenues and other sources fail to meet budgeted revenues and other sources by more than 5% and when projected expenditures and other uses exceed budgeted expenditures and other uses by more than 5%.

Additionally, the Town's internal control system should be designed to ensure that material revenues and expenditures are recorded and that the Town complies with significant state and local laws.

Cause

The Town did not include police supplemental pay revenues and expenditures of \$38,276 in the budget. Supplemental pay is paid directly to the police officers by the state. However, state law requires the Town to bear the cost of payroll taxes on the income. Additionally, generally accepted accounting principles require that the total amount be reported as revenues and expenditures. Because the Town did not record the revenues and expenditures, when management reviewed a budget to actual comparison before year end, an amendment did not appear to be necessary.

Effect

The Town is not in compliance with the Louisiana Local Government Budget Act.

Recommendation

We recommend that the Town record supplemental pay revenues and expenditures each month and ensure that future budgets include all applicable revenues and expenditures.

Corrective Action Plan and Responsible Person

We will follow the auditor's recommendations. Mayor Brown, 318-428-3275

**TOWN OF OAK GROVE
OAK GROVE, LOUISIANA**

**STATUS OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010**

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken Yes, No, Partially	Planned Corrective Action/Partial Corrective Action Taken
ML 2009-1	2009	Failure to request that banks pledge securities to cover deposits.	No	See 2010-1